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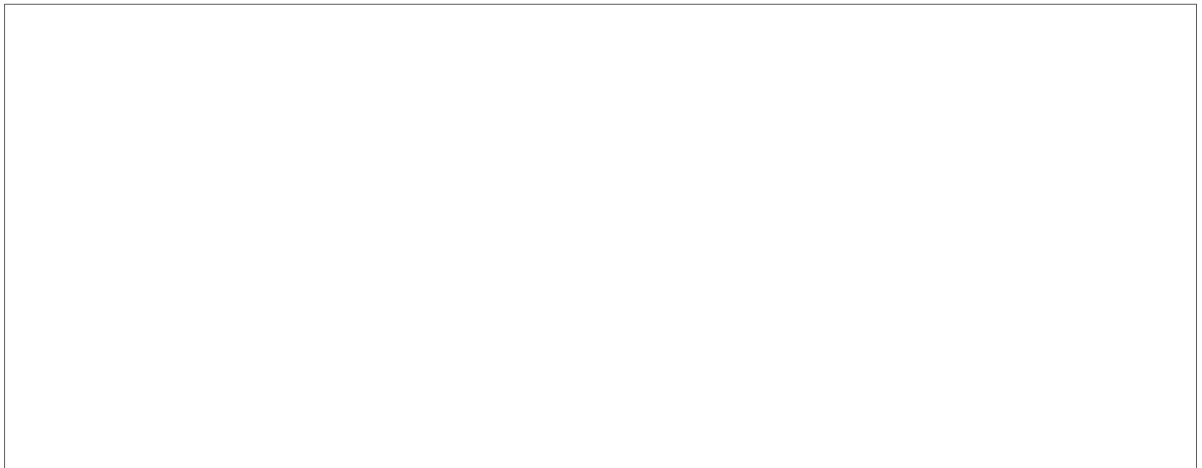
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**GENERAL****1. Orbit trade offers at ECE talks disappoint Western Europe:**

 Orbit trade offers made in the various bilateral discussions concluded at Geneva on 30 April under the auspices of the Economic Commission for Europe have been termed a "disappointment" by most of the Western European delegates who participated. The Soviet and Eastern European officials continued, however, to show a cooperative and friendly attitude, expressing interest in expanding East-West trade.

American representatives in Geneva state that the Orbit delegates apparently failed to make substantial new export offers and were noncommittal about settlement of their countries' adverse trade balances in sterling or gold.

Comment: This report strengthens the view that the USSR is not capable this year of attaining the export levels it has projected in propaganda.

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3. Comment on May Day display of Soviet air offense capability:

The May Day demonstrations in Moscow highlighted Soviet capabilities for air offense. Participating in the fly-by were one Type 37 jet heavy bomber, nine jet medium bombers, 81 IL-28 jet light bombers, and a total of 85 Type 38 (MIG-17) jet fighters.

Observations indicate that the Type 37 is about 130 to 150 feet long, smaller than the US B-52, and that the new jet medium bomber is slightly more than 100 feet long. Contrary to previous reports on the jet medium bomber, only one engine exhaust was visible aft of each wing, although each nacelle appeared to be large enough to house two engines.

Since this is the first time that an individual aircraft of a new type has participated in a May Day fly-by, there is no precedent for determining the production status of the Type 37. In previous May Day fly-by's only operational aircraft have participated, and on these occasions they have appeared in strength.

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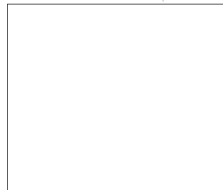
The sighting on 25 April of 11 of the new jet medium bombers, nine of which participated in the fly-by, suggests that production probably began somewhat before January 1954, the earliest previously estimated date.

The apparent characteristics of both new bomber types suggest that the USSR has developed high-powered axial turbo-jet engines. [REDACTED]

#### SOUTHEAST ASIA

4. [REDACTED]

5. Communist journalist outlines plan for Indochina settlement:



[REDACTED]  
a plan for Indochina was outlined [REDACTED] in the presence of two Viet Minh newsmen, by a correspondent for the London Daily Worker. The plan called for a cease-fire to be worked

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out by the French and the Viet Minh. Troops would be withdrawn from "the battle zones" and three areas established: one to be held by the Viet Minh, one by the French, and the third to be neutral. Negotiations would then be held on a formula for elections.

The Daily Worker correspondent, who claimed to have talked to Ho Chi Minh about a month ago, suggested that by such a plan France might salvage many of its investments.

Comment: The Communists still appear to be trying to force the French to take the initiative in asking for a cease-fire, regarding it as a first step which should not be contingent on a future political settlement.

The plan outlined here is consistent with this aim. Its vagueness would permit the Communists to extend negotiations to any length they desired.

6. Bidault rejects partition of Indochina as basis of settlement:

Commissioner General Dejean told the American embassy in Saigon on 3 May that he had been authorized by Foreign Minister Bidault in Geneva to give full publicity to the refusal of the French government to consider any partition of Vietnam.

French Foreign Ministry officials in Paris, who state that such matters are being handled directly from Geneva, have pointed out to the American embassy the "obvious fact" that Dejean's statement was aimed primarily at Vietnamese opinion.

Comment: While most of the French press rules out partition of Indochina, Raymond Aron, well-informed commentator for Le Figaro, which is frequently considered a mouthpiece of the government, sees it as the "least undesirable solution" obtainable. He anticipates that partition will be proclaimed as temporary. This may indicate the approach the French government will take to win Vietnamese acquiescence.

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